



ALASKA
MUNICIPAL
LEAGUE

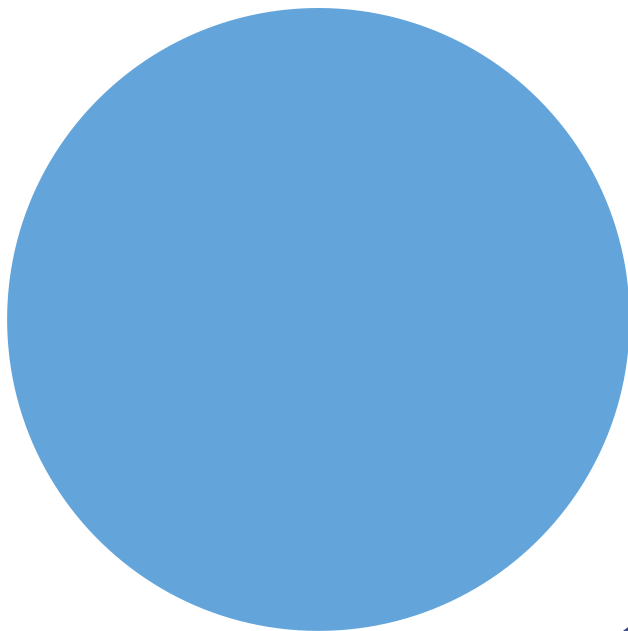
Sept
28, 2023

2023 Tax Conference

“Build Tax Better”

Municipal Sales
Tax Best Practices-
Session 2

By:
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Return Filing

- Standard / simple return form
- Filing frequency / due dates
- Return processing

Registration

- Registration/license application
- Business contact info
- Record of active businesses

Exemption Certificates

- Code requirements
- Common certificates
- Issuance process



Business Registration

Business Registration / Licensing

Goals of Business Licensing

- Explicit approval to conduct business in the community
 - Government can fine or revoke business license for delinquency or unsafe conditions
- Help ensure businesses are safe for public
 - Additional licensing requirements for occupations that affect the health and safety of residents
- Help track businesses and economic activity
- Provides data about business activity
 - Allows for more nuanced analysis of business activity and revenue streams

Business Registration / Licensing

General Guidance

- The State of Alaska (SOA) requires a license for all businesses that are physically located in Alaska
 - This license may be for either one or two years
- Many cities or boroughs require a SOA license before issuing a local business license
 - Business provides a physical copy for their local file
- Depending on the business type and activity, additional permitting or approval may be required; i.e.:
 - Planning Department to review zoning codes for business location
 - State requirements for additional licensing for health or safety related fields
 - Fire Department review of building for safety issues

Business Registration / Licensing

General Guidance

- Many communities require businesses to display license on property
- Many communities offer temporary or event-specific licenses
 - This may be the same application as a regular business license or its own form
- A business is presumed to be making sales until they provide written documentation to the tax authority of:
 - Termination of business
 - Selling of business to another entity – must provide new buyer information

Business Registration / Licensing

Most communities require businesses to either register or obtain a business license with the community prior to conducting business.

Here are some ways that a community can research and track new businesses:

- State of Alaska Business Licensing
 - Review new licenses for your community on a periodic basis and outreach to business owner
 - Can download lists of business licenses, and search by physical address / mailing address
- Social Media
 - Common that new businesses will advertise on community social media pages, or pay for social media advertising
- Word of Mouth / Seeing Business Vehicles in Community
 - This works best for smaller communities, simply knowing who is doing what in the community.

Business Registration / Licensing

What the difference between registration and licensing?

Registration Only

- One time event
- Does not expire
- No fee collected

License Required¹

- Can be one time event or annual renewal
- Annual licenses expire (usually) at end of calendar year
- Fee collected

1) License renewal must be initiated before the expiration date, preferably one to two months prior

Registration / Licensing Form

Recommended Fields

- Business name and DBA (Doing Business As)
- Responsible party name and title
- Physical and mailing address and contact information (including email)
- EIN (employer identification number) or SSN (for sole proprietor)
- Business entity type (LLC, partnership, corporation)
- Line of business (many use NAICS code¹)
- SOA business license number and expiration date
- Business start date for the community
- Business description
- Home occupancy business
- Seasonal or special event business

1) NAICS: North America Industry Classification System

SALES TAX REGISTRATION



BUSINESS REGISTRATION FORM

Finance Department, Sales Tax Office
 155 South Seward St, Juneau, AK 99801
 Ph (907) 586-5265 Fax (907) 586-0365
 Sales.Tax.Office@Juneau.org

CBJ USE ONLY			
BP Property Account No.	Sales Tax Account No.	Date	Initials

Business Identification	Is this a: New Business <input type="checkbox"/> Change in Ownership <input type="checkbox"/> *Complete Previous Owner section below		
	Business Name	AK Business License No.	
	Doing Business As		
	Line of Business (Enter 2-digit code from AK Business License)	Federal ID No.	

Contact Information	Sales Tax Contact Information		
	Mailing Address		
	City	State	Zip
	Contact Name and Title	Contact Phone No.	
	Business Personal Property Contact Information		
	Complete this section only if Property Tax Contact Information differs from Sales Tax Contact Information		
Contact Information	Mailing Address		
	City	State	Zip
	Contact Name and Title	Contact Phone No.	
	Business Personal Property Contact Information		

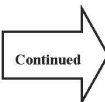
Other Business Info	Physical Location (Street Address)		
	City	State	Zip
	Business Phone No.	Business Email:	
	General Description of Business Activity		
	Start Date of Business Activity in Juneau		
	Type of organization: Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other <input type="checkbox"/>		
Other Business Info	Will this business be selling <input type="checkbox"/> Liquor or <input type="checkbox"/> Marijuana?		Is it a Hotel/Motel or Bed & Breakfast? --

*Previous Owner	Previous Owner Name		
	Previous Owner Address		
	City	State	Zip

Under penalty of unsworn falsification, I attest that to the best of my knowledge that the information provided on this application is true and correct.

Signature _____ Date _____
 If this business is a corporation, an officer or director of the corporation must sign this form.

Continued on the back of the form - Applicants must complete both sides.



Owner Information	Individual Information is required on all owners of the business**		
	Last Name	First Name	Middle Initial
	Mailing Address		
	City	State	Zip
	Street Address		
	City	State	Zip
	Work Phone	Social Security No.	
	Home Phone	Driver's License No.	State
Office or Title		Date of Birth	
Owner Information	Individual Information is required on all owners of the business**		
	Last Name	First Name	Middle Initial
	Mailing Address		
	City	State	Zip
	Street Address		
	City	State	Zip
	Work Phone	Social Security No.	
	Home Phone	Driver's License No.	State
Office or Title		Date of Birth	
Owner Information	Individual Information is required on all owners of the business**		
	Last Name	First Name	Middle Initial
	Mailing Address		
	City	State	Zip
	Street Address		
	City	State	Zip
	Work Phone	Social Security No.	
	Home Phone	Driver's License No.	State
Office or Title		Date of Birth	
Owner Information	Individual Information is required on all owners of the business**		
	Last Name	First Name	Middle Initial
	Mailing Address		
	City	State	Zip
	Street Address		
	City	State	Zip
	Work Phone	Social Security No.	
	Home Phone	Driver's License No.	State
Office or Title		Date of Birth	

**Attach additional owner information if necessary.

Registration / Licensing Form

Internal Processes

- How to manage and track new business registrations and license applications?
 - Is there an online platform businesses use? Can they use a paper form?
 - New Business Packet?
- How to follow up with businesses that have not registered or renewed their licenses?
 - What is detailed in local municipal code?
 - Send letters, with escalating language
 - Set firm dates for escalating delinquency process
 - “Public shaming” by posting delinquent lists in local media
 - Legal “Cease and Desist” letter, if code allows
 - Law enforcement action at place of business, if code allows
- How to follow up with businesses that do not provide a valid SOA license?



Sales Tax Return Filing Process

Sales Tax Filing

General Guidance

- Sales tax rate is set by council or assembly and is listed in the municipal code
 - Authorized exemptions are also listed in the code
- Sales tax is assessed on the sales price or the product or service
- Sales tax is paid by the buyer and collected by the seller at the time of the purchase or date service is rendered
- Seller is to hold those taxes in trust for the taxing authority
- Seller remits those taxes in full on a regular tax filing frequency (month following close of filing period) by reporting:
 - Gross sales
 - Exempted sales
 - Net taxable

Sales Tax Filing

Retail Sales Tax and Other Sales Taxes

- Communities may add additional sales tax on short-term accommodations, often called a “bed tax”
- Communities may add additional sales tax on alcohol, or marijuana sales, often called “sin taxes”
- Communities may add additional sales tax on motor vehicle rentals

One Form or Two?

- Some communities have a single form with multiple sections for additional sales tax
- Other communities have a retail sales tax form and a separate surtax form

Other taxes such as fish tax, gaming tax, motor fuel tax, mineral tax, and tobacco tax are not reported via sales tax filings

Sales Tax Filing

Returns, Payment

- Paper forms versus electronic filing
 - Depending on the sales tax program, businesses may be able to file online which will reduce data entry error and require payment at time of filing
 - Paper returns can be mailed in or dropped off in person
 - These must be hand-keyed into the system
- Payment
 - Depending on the sales tax program, payments can be cash, physical check, e-check, ACH credit, or credit card
 - Paper returns can be sent in without the money or with a different amount than what is owed
 - Internal processes will determine if the return can be accepted without full payment
 - Depending on delinquency, business can be on a payment plan with regular payments to cover back taxes – often they are required to keep sale tax remittance current going forward

Sales Tax Filing

Frequency, Reminders

- Filing Frequency
 - Monthly, Quarterly or Annual
 - Does the municipal code allow for variance for filing frequency?
 - Consider allowing less frequent filing for those sellers that are not regularly in business
 - Forcing monthly filing on everyone can easily lead to delinquencies
 - Change businesses to monthly if a business has been delinquent (review municipal code guidelines)
- Filing Reminders
 - It can be beneficial to mail a filing reminder or return forms to businesses as a prompt for them to file

Sales Tax Form

Recommended Fields

- Business name and address
- Business account number with community
- Filing period (month, quarter, year)
- Gross sales
- Exempted sales
- Net taxable sales
- Timely filing discount
- Penalty
- Interest
- Total due
- Signature and title of preparer
- Date completed

CITY OF CORDOVA



REGULAR SALES TAX RETURN

For Period Ending _____, 20____

Business: _____ Business License: _____

Address: _____

Gross Revenue from Business Sales/Services: \$ _____

Include both regular and exempted sales but do not include any tax

Exemptions as authorized in CMC 5.40.030: (\$ _____)

Attach an itemized list of individual exemptions – no generalized groupings

Do not include operating expenses or sales tax

Net Taxable Revenue: \$ _____

Subtract Exemptions from Gross Revenue

Sales Tax Due: \$ _____

6% of Net Taxable Revenue

PAYING LATE

LATER THAN ONE MONTH AFTER PERIOD END

Failure to File Timely Penalty: \$ _____

\$25 for first late filing; \$50 for subsequent late filings within one year

10% - 20% Late Filing Penalty: \$ _____

10% of Sales Tax for first month late

15% second month late

20% third month or more late

15% Annual Interest: \$ _____

15% of Sales Tax interest calculated over 365 days

Total Penalties: \$ _____

Total Tax Due: \$ _____

I declare, under penalty of making a false statement, that to the best of my knowledge and belief, the statements made herein are true and correct.

Signed _____ Printed _____ Title _____ Date _____

CITY OF CORDOVA



SURTAX SALES TAX RETURN

For Period From _____ to _____, 20____

Business: _____ Business License: _____

Gross Revenue:

Include regular and exempted sales. Do not include any tax

\$ _____ \$ _____ \$ _____
from **Marijuana, Alcohol, Tobacco** from **Public Accommodations** from **Motor Vehicle Rentals**

Exemptions as authorized in CMC 5.40.030: (\$ _____)

Attach an itemized list of individual exemptions – no generalized groupings

Do not include operating expenses or sales tax

Net Taxable Revenue: \$ _____

Subtract Exemptions from Gross Revenue

Sales Tax Due: \$ _____

6% of Net Taxable Revenue

Surtax Due: \$ _____

100% of Sales Tax

PAYING LATE

LATER THAN ONE MONTH AFTER PERIOD END

Failure to File Timely Penalty: \$ _____

\$25 for first late filing; \$50 for subsequent late filings within one year

10% - 20% Late Filing Penalty: \$ _____

10% of Sales Tax for first month late

15% second month late

20% third month or more late

15% Annual Interest: \$ _____

15% of Sales Tax interest calculated over 365 days

Total Penalties: \$ _____

Total Tax Due: \$ _____

I declare, under penalty of making a false statement, that to the best of my knowledge and belief, the statements made herein are true and correct.

Signed _____ Title _____ Date _____



QUARTERLY SALES & TRANSIENT ROOM TAX RETURN

Send completed return and payment to: City and Borough of Sitka Finance Department - Sales Tax 100 Lincoln Street Sitka, Alaska 99835

For the quarter ending: _____

Check here if no business activity this period. Sign, date, and return form on time to avoid late filing fee.

Account #: _____ Name: _____ Address: _____

CHANGE ADDRESS: (Additional forms online) Mailing: _____ Physical: _____

See reverse side for instructions and exemptions.

Table with 4 columns: Description, Sales Tax 5%, Sales Tax 6%, Transient Room Tax 6%. Rows include Gross Receipts, Exemptions, Net Taxable Receipts, and Total Due with Return.

Paid preparer signature: _____ Printed name: _____ Date: _____ Contact phone #: _____

I declare, subject to penalties prescribed by ordinance, that this return (including and attachments) has been examined by me and to the best of my knowledge is a true, correct, and complete return.

COMPLETE THIS SECTION ONLY IF THIS IS A FINAL RETURN

Date Business Discontinued: _____ Reason Business Discontinued: _____ Name of Purchaser: _____ Address: _____

INSTRUCTIONS, SALES & TRANSIENT LODGING TAX RETURN

GROSS RECEIPTS:

Item 1. Enter here all receipts in appropriate tax column. April 1st - June 30th 6% tax is levied excluding long term rentals which remains at the 5% rate; July 1st - March 31st 5% tax is levied.

EXEMPTIONS:

Item 3A. Wholesale. List here sales which are covered by wholesale-resale exemption certificates. No exemptions may be claimed under this category unless covered by certificates.

Item 3B. Long Term Residential Rentals. List here rent received for residential housing for thirty (30) or more consecutive days or an entire calendar month by a person or persons for a room, set of rooms, structure, or suite.

Item 3C. Outside Municipality. List here sales for which the order is received from outside the municipality by mail, radio or other public communication, and which are also delivered by mail or another common carrier.

Item 3D. Sales to senior citizens with exemption card. Sales, except for alcoholic beverages, cigarettes or tobacco products, and marijuana or marijuana products to persons over 65 years of age who have been issued exemption cards and are making purchases solely for their personal use.

Item 3E. Government agencies. List here sales to federal, state, or municipal governments. Be prepared to list these on request.

Item 3F. Government supported exempt agencies. List here sales to agencies who have been issued an exemption certificate which proves that they are 50% government funded. Be prepared to list these on request.

Item 3G. Sales over taxable limit. This covers that portion of a selling price for a single sale unit over \$12,000.00 which is sold to and is for the exclusive use of a single-family unit. See SGC 4.09.100(n) for further clarification.

Item 3H. Other Exemptions. List here any exempt items not included in the other deductions. Please explain fully.

CALCULATIONS:

Item 5. Net taxable receipts for quarter. To arrive at this figure, subtract your total deductions from your gross receipts.

Item 6. Tax Calculated from taxable receipts for quarter. Multiply net taxable receipts by 5% or 6%.

Item 7. Fish Box tax. Enter no. of fish containers retained by fish charter customers & then multiply by \$10.00 sales tax due.

Item 8. Subtotal tax. Combine the tax calculated for the 5% and 6% rates and the fish box tax.

Item 8A-C. Tax paid for first and second months of the quarter and credit or overpayments on account. This will reflect any payments or credits that may be applied to this quarter's tax due.

Item 8D. This is allowed only if you have made monthly payments following the schedule below.

Table with columns: Monthly Tax, Paid by, Form, Monthly Tax, Paid by, Form. Rows list payment schedules for January through December.

If any payment is late, the discount for the quarter will not be allowed. If you are eligible for discount, compute here 3% of total tax due for quarter, line 7. Discount may not exceed \$100.

Item 9 & 10. Late Filing Fee & Penalty. If you are delinquent, add a late fee for each month or part of a month that you are delinquent as well as a penalty for any tax owed as per the schedule.

Table with columns: Month(s) delinquent, Penalty, Late Fee. Rows show penalties for 1st through 5th months of delinquency.

Item 11. Interest. Add 12% per annum, from date of delinquency, of any delinquent amounts. (TAX * .12 * (# of days/365))

Item 13. Total Due with Return. Total lines 8 through 12 and pay amount recorded here. Returns shall be filed by or postmarked prior to 4:45 p.m. on the last day of the month following the end of each quarter.

Sales Tax Filing

Amended Returns

- Business makes corrections to a previously filed return; due to:
 - Returned goods
 - Accounting errors
 - Audit findings
- Depending on municipal code and internal processes, late filing fees are generally waived but penalty and/or interest (P&I) may be applied



Delinquent Sales Tax Filers

Delinquent Filers

What Does the Municipal Code Say About Delinquent Sales Tax Filers?

- Check your city or borough code for guidelines regarding delinquent filers
- Is filing the numbers without payment considered an incomplete return?
- Know your late filing fee, penalty and interest rates
 - Is the late fee flat or does it escalate?
 - Does the penalty escalate?
 - Is interest per month or per annum?
 - Can late fees be waived?
- Does your municipal code allow for waiving of late filing fees, penalty, or interest?

Delinquent Filers

What Does the Municipal Code Say About Delinquent Sales Tax Filers?

- What day of the month are returns due by?
 - Communities often use last day of the month, or the following business day if the last day falls on a weekend or holiday
- Are “post-marked by due date” envelopes that arrive after the due date considered timely?
- Do businesses that have \$0 gross sales to report need to file a return?
- Do businesses that file \$0 gross sales late have to pay a late filing fee?
- If a business has multiple delinquent filings, what does the code say about how to apply a payment?
Incurred costs or P&I first, or oldest balances first?

Delinquent Filers

- **Actions to Take with Delinquent Filers**
- Letters with escalating language
 - Check the municipal code regarding requirements for certified mail, appeal periods
- Switching to monthly filing frequency
- “Public shaming” by posting delinquent lists in local media
- Notice of estimation of taxes
 - Use previously filed returns or comparable businesses
- Provide a hearing to determine sales tax liability

Delinquent Filers

Sales tax, penalty, interest constitute a lien in favor of the municipality upon all property of the business/person owing the tax

Actions to Take with Delinquent Filers

- Legal “Cease and Desist” letter, if code allows
- File criminal complaint with law enforcement, if code allows
 - Law enforcement may go to place of business and physically shut down business
- Civil action based on estimated tax assessment
- Send to collections agency
 - Depending on the outstanding balance, it may be beneficial to use a collection agency for smaller balances and municipal legal action for larger balances



Exemption Certificates

Exemption Certificates

General Guidance

- Every purchase is taxable unless specifically exempted in the municipal code
- Entity-based exemptions must provide proof they are tax exempt
 - Such as a tax exemption certificate
- The buyer must present exemption documentation at the time of purchase to receive the benefit
 - Sellers must maintain exemption documentation for the duration of local record retention policy and provide it upon request for audit or verification purposes
 - Seller to track: number of the exemption card, date of purchase, name of buyer, organization making purchase, total amount of purchase, amount of sales tax exempted

Exemption Certificates

What is an Exemption Certificate?

- Based on the municipal code list of exemptions, certain entities may be entitled to tax exempt purchases
- The taxing authority issues entity-based certificates (if their internal processes allow)
 - It is preferable for sellers and auditors that the tax authority issues a certificate for all exempted entities
 - Exemption certificates should be numbered
- Exemption certificates can be time-limited, expiring at the end of the calendar year
 - Annual reapplication prevents fraudulent tax exemption activity
 - Annual Reapplication helps with licensing and filing compliance

Exemption Certificates

Who can get an Exemption Certificate?

- Business that resells a good or service
- Government
- Non-Profit
- Seniors
- Construction

Exemption Certificates – Resale

Resale Sales Tax Exemption Certificate

- Only valid for product or services that a business will resell
 - They can incorporate the goods into a new product or just sell as is
 - Does not apply to general business costs (food product but not plates)
- Business must apply for exemption certificate and state the types of product or services they are purchasing
- Exemption certificates should be numbered and list both the issued and expiration dates

Exemption Certificates – Government

Government Exemption Certificate

- By state and federal law, government entities do not pay tax
- Many communities do not issue exemption certificates for government entities
- Sellers must rely on their own judgment to determine if they are selling to an official government entity
 - Sellers can use proof such as correspondence on municipal letterhead, credit card with department name, etc.
 - Fairly easy to determine except for schools, which can be private non-profits
- Recommend that communities establish process to issue government exemption cards for all local entities without expiration dates
 - City/borough/state/federal departments, school districts, fire/EMS departments, etc.

Exemption Certificates – Non-Profits

Non-Profit Exemption Certificate

- Check the municipal code to see if there are restrictions such as only for 501(c)3 or 501(c)4
- Entity should provide IRS tax exemption documentation
- Purchases may be limited to products or services that directly tie to non-profit's mission or can be for any purchases
- Recommend that communities establish process to issue non-profit exemption cards for all local entities with or without expiration dates

Exemption Certificates - Seniors

Senior Citizen Exemption Certificate

- Many communities allow senior citizens to be exempt from sales tax
- Seniors will be defined in municipal code and can range from ages 55-65
- Some communities exempt all purchases by seniors, other communities have restrictions on what is exempt:
 - Only utilities, property/rent, and food
 - No liquor, marijuana or tobacco sales
 - No items purchased for business use
- Exemption is restricted to the applicant and their spouse/qualified domestic partner; other family members may not use the exemption card

Exemption Certificates – Construction

Construction Exemption Certificate

- May require a building permit to apply for exemption card
- May be limited to owner-occupied dwellings
- Often time-limited, such a one or two years from application date
- Limited to building materials and services that are used in the construction
 - Nails but not the hammer
 - Lumber but not the saw
 - Plumbing instantiation but not crew lunches
 - Equipment rental

Record Keeping



Record Keeping

What Does the Municipal Code Say About Record Retention?

- This is usually detailed in the City/Borough Clerk's list of responsibilities per the State of Alaska/Department of Revenue Records Retention Schedule (updated 2017)
 - <https://archives.alaska.gov/documents/rims/schedules/revenue/04-99-1.pdf>
 - Business Licenses: 3 years
 - Sales Tax: 3 years
 - Commercial Passenger Vehicle Excise Tax Returns: 3 years

Record Keeping

How are you Storing Your Records?

- Paper filings in file cabinets
 - Think about square footage
 - How often are you going through the records?
 - What documents are “keepers”?
 - Registration forms
 - Formal delinquent notices
 - Legal action and responses
- Scanned paper filings
 - Time, energy consuming, specific equipment
 - May offer more flexibility with saving more files depending on storage capacity
 - Be careful not to “save everything” in a business file
 - Think about file naming structure – be consistent!
- Electronic sales tax program
 - Usually tied into municipal accounting system
 - Sales tax associate may enter data for paper filers
 - Supports paper and electronic filings
 - Can run reports based on licensing, tax filing numbers
- Digital filing system
 - Financial investment
 - When did you convert to digital system?
 - Are previous records able to be incorporated into digital system?
 - How to reconcile paper and digital systems?
 - Can run reports based on licensing, tax filing

THANK YOU



Strengthening Local Governments